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25X1X 1. The Communists want a cease fire in Korea for the following reasons:

- a. Terrific casualties are estimated at 1,000,000 Chinese troops as against 500,000 United Nations troops; the Ta Kung Pao, Communist newspaper in Hong Kong, has pointed out that the continuation of the war would only increase death and property destruction in North Korea.
- b. Chinese Communist propaganda, soon after China was branded an aggressor in Korea, showed that the Chinese had hopes of driving the United Nations forces into the sea. About three months ago the Communist papers began to argue that even if the United Nations forces were driven into the sea the war would only be extended, not terminated.
- c. The Chinese are facing extreme economic difficulties, both as to production and finance.
- d. The Chinese are increasingly worried over the Japanese peace treaty and the possibility of Japanese rearmament.
- e. The Soviets and the Chinese are still unwilling to provoke a third world war; this is evidenced by their reluctance to use the International Volunteer Army.
- f. Continuation of the Korean war indefinitely postpones Chinese Communist admission to the United Nations and the possibility of gaining control of Taiwan.
- g. A cease-fire at the 38th Parallel strikes the Communists as advantageous; withdrawal of foreign troops from Korea would be an outright victory.

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2. During the last year the Chinese Communist propaganda on the Korean war has been purely negative; it has never emphasized the advantages it would be possible to gain by their participation in it. Points stressed have been United Nations casualties, the low combat morale of the Americans, and earlier oppression of China by the United States. The emphasis of the anti-United States aid to Korea campaign was improvement of national defense, increased production, prosecution of the land reform program, and the suppression of counter-revolutionaries. There was no point made that the combat was aimed at bringing the Korean war to a rapid end.
3. It is still impossible to confirm whether the Chinese split among themselves over the Korean war or whether the Chinese complained to the Soviets, though such rumors exist. However, the Chinese now realize that, during the course of the year, Eastern solidarity has been strengthened and rearmament has been hastened. The war has done more to increase conflict between the Chinese and North Koreans than to split the United States and the United Kingdom. A cease-fire would help to minimize the actual or potential split between the Soviets and the Chinese or within the Chinese Communist Party.
4. The cease-fire talks will probably succeed, since unless they do the Chinese will not only suffer further casualties but also lose the opportunity to express their views to the world before the signing of the Japanese peace treaty on 3 September.
5. Among the difficulties of solving the Korean war problem is Communist insincerity in coming to any agreement and the perpetuation of a divided Korea. The Communists will continue to infiltrate South Korea after a cease-fire is agreed upon in order to gain control of the whole peninsula. They will surely not assent to Korea being unified under the United Nations.
6. Once the cease fire is accomplished there is little likelihood that the Communists will start a new offensive, although Korea will be a major point of tension in Asia. The Chinese will shift their attention to improving their national defense, with Japan as the hypothetical enemy. This will be a three to five year program; slogans already show a change toward emphasis on reconstruction. Where before it was on defeat of the enemy first and reconstruction afterwards, now the point is made of reconstructing first and defeating the enemy afterwards.
7. The Communists will continue to try to capitalize on differences between British and American policies toward Asia. They will also continue to exploit the Asiatic fear of the revival of Japan.
8. The Chinese will not, at least for the time being, repeat their tactics of sending in volunteers to assist Ho Chi Minh. They will, however, still be subservient to Soviet orders, which may again run counter to the Chinese national interests and plans.

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